

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 28, 2007

**Bill Number:** H.B. 3485

**Author:** Talley

**Committee Requesting Impact:** House Ways & Means Committee

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### Bill Summary

A bill to amend Section 12-6-520, of the Code of Laws of South Carolina, 1976, relating to annual inflation adjustments to state individual income tax brackets, so as to delete the provision limiting the inflation adjustment to one-half of the actual inflation rate and to delete redundant language.

### REVENUE IMPACT <sup>1/</sup>

This bill would reduce state General Fund individual income tax revenue by an estimated \$10,800,000 in FY2007-08.

### Explanation

This bill would amend Section 12-6-520 by removing language that allows for the cumulative adjustment of the state individual income tax brackets each December 15<sup>th</sup> by one-half of the overall rate of inflation pursuant to Internal Revenue Code (IRS) Section (1)(f). The state's individual income tax brackets would then be adjusted by the actual increase in the rate of inflation as measured by the Consumer Price Index for All Urban Consumers pursuant to IRS Code Section (1)(f)(4),(5). This bill also removes language that limits the overall rate of change in the individual income tax brackets to four percent a year. These changes would first apply to income tax brackets for taxable year 2007. Based upon data supplied by the Department of Revenue and using an estimated annual growth rate of income tax revenue of 5.83%, fully indexing the state's individual income tax brackets for inflation would reduce general fund individual income tax revenue by an estimated \$10,800,000 in FY2007-08.

/s/ WILLIAM C. GILLESPIE, PH.D.

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.